

**VALUATION OF EQUITY SHARES OF**



**KOTHARI INDUSTRIAL CORPORATION LIMITED**

114, Kothari BLDS, Nungambakkam High Rd, Nungambakkam,  
Chennai-600034, Tamil Nadu, India

**AS ON DECEMBER 11, 2024**

-: REGISTERED VALUER: -

**Mukesh Kumar Jain**

**IBBI REGISTERED VALUER**

Assets class: Securities or Financial Assets

RV Reg. No: IBBI/RV/03/2019/12285

December 11, 2024

**To,**  
**The Board of Directors**  
**Kothari Industrial Corporation Limited**  
114, Kothari BLDS,  
Nungambakkam High Rd, Nungambakkam,  
Chennai-600034, Tamil Nadu, India

**Dear Sir,**

**Subject - Valuation of Equity Shares of Kothari Industrial Corporation Limited for the purpose of preferential issue of Equity Shares in accordance with Regulation 165 of SEBI (ICDR) Regulation, 2018.**

**Kothari Industrial Corporation Limited** (hereinafter referred to as 'Kothari Industrial', 'Company', 'you', 'your') has appointed Mukesh Kumar Jain, Registered Valuer (SFA) registered with IBBI having Registration Number-IBBI/RV/03/2019/12285 (hereinafter referred to as 'Valuer', 'I', 'Me' or 'My') vide engagement letter dated December 10, 2024 to arrive at floor price of Equity Shares for the purpose of preferential issue of Equity Shares to promoter and non-promoter group (hereinafter "proposed allottees") in accordance with Regulation 165 of SEBI (ICDR) Regulation, 2018.

Please find enclosed the report (comprising 23 pages) detailing my recommendation of floor price for preferential issue of Equity Shares proposed allottees by the Company, the methodologies employed and the assumptions used in my analysis.

This report sets out my scope of work, background, sources of information, procedures performed by me and my opinion on the value analysis of the Equity Shares for proposed issue of Equity Shares by the Company.

**Date: December 11, 2024**  
**Place: Raipur (C.G.)**

**Mukesh Kumar Jain**  
**ICSI/ RVO/SFA/41**  
**IBBI R. No.: IBBI/RV/03/2019/12285**  
**UDIN- 24502822BKAKCC1099**

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## 1. BACKGROUND OF COMPANY

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Kothari Industrial Corporation Limited ('Kothari Industrial' or 'the Company') is a listed company bearing CIN L74110TN1970PLC005865 and was incorporated on July 01, 1970. The registered office of the company is situated at 114, Kothari Blds, Nungambakkam High Rd, Nungambakkam, Chennai-600034, Tamil Nadu, India. The company is listed with BSE Limited with Scrip Code-509732.

Kothari Industrial is engaged in manufacturing of fertilizers and has a network of distributors in the southern states. The company has leased its fertilizer factory to M/s. Coromandel International Limited. The Company is also deal with FMCG Products like Health Care Products and Manufacturing of Rusk, Cookies and Dum Roots.

*(Source: Management)*

The equity shareholding pattern of Kothari Industrial as at 30.09.2024 is as under:

Category of shareholder	No of shares (FV – INR 5/- each)	% of Holding
Promoter & Promoter Group	22,678,038	53.38%
Public	19,805,847	46.62%
<b>Total</b>	<b>42,483,885</b>	<b>100.00%</b>

*(Source: BSE Database)*

## 2. PURPOSE OF THE VALUATION AND APPOINTING AUTHORITY

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I have been informed by the Management of Kothari Industrial that the Company is in the process of a preferential issue of equity shares to proposed allottees. Thus, a valuation report for the same is required from a Registered Valuer in accordance with Regulation 165 of the Securities and Exchange Board of India (ICDR) Regulations, 2018.

I have been appointed by the Audit Committee of Kothari Industrial to provide a valuation report for determining the floor price for proposed preferential issue of equity shares to proposed allottees.

## 3. DISCLOSURE OF VALUER'S INTEREST OR CONFLICT

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I hereby confirm and explicitly declare that I am an independent valuer and do not have any interest, direct or indirect, in the underlying securities being valued.

## 4. DATE OF APPOINTMENT, VALUATION DATE AND DATE OF THE VALUATION REPORT

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Date of appointment	December 10, 2024
Valuation date	December 11, 2024
Date of valuation report	December 11, 2024

## 5. INSPECTIONS AND/OR INVESTIGATIONS UNDERTAKEN

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I have not carried out any inspection or independent verification of the information provided. I have relied on the publicly available information, provisional & projected financial statement and other financial and non-financial information made available to me as well as the representations made to me in the course of this engagement.

## **6. NATURE AND SOURCES OF THE INFORMATION USED OR RELIED UPON**

In the course of my valuation analysis, I have relied on various financial and non-financial information obtained from the Company and from various public, financial and industry sources. I have assumed that all information provided by the Company has been duly approved by the concerned authority to which it pertains to. My conclusion of value is dependent on such information being complete and accurate in all material respects. I have relied upon the following information(s) as provided by the Management of Kothari Industrial and information available in public domain:

- a) Brief history, present activities and business profile etc.;
- b) Memorandum of Association and Article of Association;
- c) Shareholding Pattern of Kothari Industrial as on September 30, 2024;
- d) Audited Financial Statements for the Financial Year ended March 31, 2023 and March 31, 2024;
- e) Unaudited Financial Statements for the half year ended on September 30, 2024;
- f) Projections of the future profitability and Balance Sheet of Kothari Industrial as certified by management from October 01, 2024 to March 31, 2029; (**Annexure-D**)
- g) Discussions and correspondence with the Management in connection with the business operations of Kothari Industrial, key developments, past trends, proposed future business plans and prospects, identification of comparable companies having similar operating and financial parameters as that of Kothari Industrial etc.;
- h) Information available in public domain and databases such as BSE etc.

In addition to the above, I have also obtained such other information and explanations from the Management as considered relevant for the purpose of the valuation.

It may be mentioned that the Management has been provided with an opportunity to review factual information in my report as part of my standard practice to ensure that factual inaccuracies/ omissions etc., are avoided in my final signed report.

## **7. PROCEDURE ADOPTED IN CARRYING OUT VALUATION**

My analysis of valuation of Kothari Industrial is based on the International Valuation Standards (IVS) and the prescriptions laid down in Companies (Registered Valuer's and Valuation) Rules, 2017. Some of the key procedures used in my value analysis included such substantive steps as I considered necessary under the circumstances, including, but not necessarily limited to the following are:

- a) Discussion with the Management to:
  - Understand the business and the fundamental factors that affect its earning generating capability including strength, weakness, opportunity and threat analysis and historical financial performance of Kothari Industrial;
  - Enquire about the current state of affairs, business plans and the future performance estimates;
- b) Reviewed the Memorandum of Association and Article of Association of the Company;
- c) Reviewed the shareholding pattern of Kothari Industrial as on September 30, 2024;
- d) Reviewed the unaudited financial statements for the half year ended on September 30, 2024 and audited financial statements for the financial year ended March 31, 2023 and March 31, 2024;
- e) Reviewed the projections of the future profitability and Balance Sheet of Kothari Industrial as certified by management from October 01, 2024 to March 31, 2029;
- f) Discussions with the Management to obtain requisite explanation and clarification of data provided;

- g) Selection of appropriate internationally accepted valuation methodology/(ies) after deliberations and consideration to the sector in which the Company operate and analysis of their business operations etc.;
- h) Identification of suitable comparable companies in discussion with the Management; and
- i) Arrived at fair value of the equity shares using the method prescribed under SEBI ICDR Regulation.

## **8. VALUATION APPROACHES**

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### **Basis and Premise of Valuation**

Valuation of Equity Shares of Kothari Industrial as at Valuation Date is carried out in accordance with IVS, considering 'Fair Value' base and 'going concern value' premise. Any change in the valuation base or the valuation premise could have a significant impact on the valuation outcome of the Company.

### **Basis of Valuation**

It means the indication of the type of value being used in an engagement. Fair Value as per IVS is defined as under:

*'Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.'*

### **Premise of Value**

Premise of Value refers to the conditions and circumstances how an asset is deployed. Valuation of the Company is carried out on a Going Concern Value premise which is as under:

*'Going concern value is the value of a business enterprise that is expected to continue to operate in the future. The intangible elements of going concern value result from factors such as having a trained work force, an operational plant, the necessary licenses, systems, and procedures in place, etc.'*

It is pertinent to note that the valuation of any business/company or its assets is inherently imprecise and is subject to various uncertainties and contingencies, all of which are difficult to predict and are beyond my control. In performing my analysis, I made numerous assumptions considering inter-alia dependency and financial assistance from existing shareholders and general business and economic conditions, many of which are beyond the control of the Company. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the business, and other factors which generally influence the valuation of the Company, its business and assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although, different values may exist for different purpose, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. My choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of similar nature and my reasonable judgment, in an independent and bona fide manner based on my previous experience of assignments of a similar nature.

In case of companies listed on stock exchanges, the preferential issue of shares shall be undertaken in compliance with the provisions of SEBI ICDR Regulations. In the case of equity shares of the Company, the shares are listed for a period of more than 90 days as on the Relevant Date and are infrequently traded as per definition provided under Chapter V-Preferential Issue of Securities and Exchange board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as given below:

‘Frequently Traded Shares’ means shares of the issuer, in which the traded turnover on any recognized stock exchange during the 240 trading days preceding the relevant date, is at least ten per cent of the total number of shares of such class of shares of the issuer.

As per Regulation 165 of SEBI (ICDR) Regulation, 2018, where the shares of an issuer are not frequently traded, the price determined by the issuer shall take into account the valuation parameters including book value, comparable trading multiples and such other parameters as are customary for valuation of shares of such companies.

I have considered following method to determine price of equity shares for the purpose of preferential issue of equity shares in terms of Regulation 165 of SEBI (ICDR) Regulation, 2018.

For the purpose of the valuation exercise, generally the following valuation approaches are adopted:

- i. Cost Approach**
  - a. Book Value Method/ Net Asset Value Method
- ii. Market Approach**
  - a. Market Price Method
  - b. Comparable Companies Multiple Method/ Comparable Transaction Multiples Method
- iii. Income Approach**
  - a. Discounted Cash Flow (DCF) Method

## **COST APPROACH**

### **1. Book Value Method/Net Asset Value Method (‘NAV)**

The asset-based value analysis technique is based on the value of the underlying net assets of the business, either on a book value basis, realizable value basis or replacement cost basis. This value analysis approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the ‘going concern’ criteria or in case where the assets base dominates earnings capability. It is also used where the main strength of the business is its asset backing rather than its capacity or potential to earn profits.

*As represented by the Management, the Company presently operates as a going concern and would continue to do so for the foreseeable future. The current net asset value of the business may not be representative of their earning potential. Further, self-generated key intangibles such as technology may not be reflected in their current net asset value. Accordingly, for the valuation of the Company, we have not provided any weightage to this approach since the present valuation exercise is undertaken on going concern basis. The book value of equity share based on Unaudited Financial Statement as on 30.09.2024 is as detailed in **Annexure - A**.*

## **MARKET APPROACH**

### **1. Market Price Method**

Under the Market Price method, a Valuer considers the traded price observed over a reasonable period while valuing assets which are traded in the active market. For this purpose, one considers the market where the trading volume of asset is the highest when such asset is traded in more than one active market. The valuation standards also prescribe that the Valuer should use average price of the asset over a reasonable period and use a weighted average or volume weighted average to reduce the impact of volatility or any one-time event in the asset.

However, as the stock markets and stock prices are subject to volatility and as the equity shares of the Company has been infrequently traded as per the definition provided under Chapter V-Preferential Issue of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and considering the proposed transaction, in my opinion, it is thought appropriate to consider closing price as on the relevant date.

I have considered average closing price of 120 trading days to value equity shares of the Company. The details of same is given in **Annexure - B**.

### **2. Comparable Companies' Multiple ('CCM')/ Comparable Transactions' Multiple ('CTM') Method**

Under CCM the value of shares/ business of a company is determined based on market multiples of publicly traded comparable companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. CCM applies multiples derived from similar or 'comparable' publicly traded companies to a company's operating metrics. Although no two companies are entirely alike, the companies selected as comparable companies should be engaged in the same or a similar line of business as the subject company. The appropriate multiple is generally based on the performance of listed companies with similar business models and size.

*Based on discussion with the Management, I understand that the company is engaged in diversified business operation involving leasing of its fertilizer plant and deal with FMCG Products like Health Care Products and Manufacturing of Rusk, Cookies and Dum Roots. Considering the nature of business operation, I have not used CCM Method.*

Under CTM the value of shares/ business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company. Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.

*Based on discussion with the Management, I understand that the company is engaged in diversified business operation involving leasing of its fertilizer plant and deal with FMCG Products like Health Care Products and Manufacturing of Rusk, Cookies and Dum Roots. I understand that there are no recent comparable transactions involving companies of similar nature and having a similar operating/ financial metrics as that of Kothari Industrial, I have therefore not used the CTM method to arrive at the equity value of the Company.*



## **INCOME APPROACH**

### **Discounted Cash Flows ('DCF') Method**

Income approach is a valuation approach that converts maintainable or future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted or capitalized) amount.

Under the DCF method the projected free cash flows to the equity are discounted at cost of equity. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the explicit forecast period and the perpetuity value at an appropriate discount factor. The terminal value represents the total value of the available cash flow for all periods subsequent to the horizon period. The terminal value of the business at the end of the horizon period is estimated, discounted to its present value equivalent and added to the present value of the available cash flow to estimate the value of the business.

*The Management has provided the projected financial items for October 01, 2024 to March 31, 2029, which the Management believes to be their estimates as to the future operating performance of the Company. The Management of Kothari Industrial expects the Company to make profits and generate surplus cash for the foreseeable future. I have therefore used DCF method which is one of the most commonly used pricing methodology for valuing such companies. The detailed working is as mentioned in Annexure - C.*

## **9. VALUATION CONCLUSION**

It is recognized that valuation of any company or assets as a matter is inherently subjective and subject to various factors, which are difficult to predict and beyond control. Valuation exercise involves various assumptions with respect to the specific industry, general business and economic conditions, which are beyond the control of the Companies. The assumptions and analysis of market conditions, comparable, prospects of the industry as a whole and the Company, which influences the valuation of companies are subject to change over a period of time and even differ between the valuers at the given point of time.

In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g., present and prospective competition, yield on comparable securities and market sentiments, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share.

In light of the aforesaid and after taking into consideration the principles of valuation that one would have to consider to value the equity shares of the Company, I have derived value as per 'Net Asset Value Method' under Cost Approach; 'Market Price Method' under the Market Approach and 'Discounted Cash Flow Method' under Income Approach. I have given equal weightage to 'Market Price Method' under the Market Approach and 'Discounted Cash Flow Method' under Income Approach.

Sr. No.	Particulars	Price per share (INR)	Weights	Weighted Value (INR)
1	Net Asset Value Method	12.06	0.00%	0.00
2	Market Price Method	27.15	50.00%	13.58
3	Discounted Cash Flow Method	16.00	50.00%	8.00
<b>Equity Value per share</b>				<b>21.58</b>

On the above basis of the foregoing, the fair value of equity shares of Kothari Industrial is arrived at **INR 21.58 per share.**

#### **10. RESTRICTIONS ON USE OF THE VALUATION REPORT**

This valuation report is meant for use for the limited purpose of determining floor price of preferential issue of equity shares to proposed allottees on the Valuation Date. It should not be used for any other purpose and by any other persons. Further, the valuation report is based on the available financial information from the Company and publicly available sources which I believe to be accurate. I accept no responsibility for any errors in the information on which the valuation conclusions are based.

#### **11. LIMITING FACTORS**

My report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.

1. This report has been prepared for the purposes stated herein and should not be relied upon for any other purpose. The Company is the only authorized user of this report and is restricted for the purpose indicated in the engagement letter. The Report should not be copied or reproduced without obtaining my prior written approval for any purpose other than the purpose for which it is prepared.
2. While my work has involved an analysis of financial information and accounting records, my engagement does not include an audit in accordance with generally accepted auditing standards of the client existing business records. Accordingly, I assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of you and the client. In the course of the valuation, I was provided with both written and verbal information. I have however, evaluated the information provided to me by the Company through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. This report is issued on the understanding that company has drawn my attention to all the matters relevant for the purpose of the Proposed Transaction as on date of this report which would have an impact on my valuation. My conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Company.
3. I owe responsibility to only to the authority/client that has appointed me under the terms of the engagement letter. The Management warranted to me that the information they supplied is complete, accurate and true and correct to the best of their knowledge. I shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the management, their directors, employee or agents.
4. I may have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, I assume no liability for the truth or accuracy of any data,

opinions or estimates furnished by others that have been used in this analysis. Where I have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and/or reproduced in its proper form and context.

5. The report assumes that the company complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the company will be managed in a competent and responsible manner. However, changes to the same in the future could impact the Company and the industry they operate in, which may impact my valuation.
6. Unless specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the financials provided to me. Further, I have also not carried out any physical verification of the assets and liabilities.
7. I do not provide assurance on the achievability of the results forecast by the management as events and circumstances do not occur as expected; differences between actual and expected results may be material. I express no opinion as to how closely the actual results will correspond to those projected/ forecast as the achievement of the forecast results is dependent on actions, plans and assumptions of management.
8. The valuation report is tempered by the exercise of judicious discretion by the RV, taking into account the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which may not be apparent from the Balance Sheet but could strongly influence the value.
9. An analysis of such nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to me as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and I do not assume any obligation to update, revise or reaffirm this Report.
10. Except for the valuation part, my report is not, nor should it be construed as my Opinion or Certifying the compliance with the proposed transaction with the provisions of the law including companies, taxation and capital market-related laws or as regards any legal implications or issues arising from such proposed transaction.
11. The user to which this valuation is addressed should read the basis upon which the valuation has been done and be aware of the potential for later variations in value due to factors that are unforeseen at the valuation date. Due to possible changes in market forces and circumstances, this valuation report can only be regarded as relevant as at the valuation date.
12. I am independent of the client/company and have no current or expected interest in the Company or its assets. The fee paid for my services in no way influenced the results of my analysis.

**Date: December 11, 2024**

**Place: Raipur (C.G.)**

**Mukesh Kumar Jain**

**ICSI/ RVO/SFA/41**

**IBBI R. No.: IBBI/RV/03/2019/12285**

**UDIN- 24502822BKAKCC1099**

ANNEXURE - A

**NET ASSET VALUE METHOD AS ON 30-09-2024**

<b>Particulars</b>	<b>INR Lakhs</b>
Equity Share capital	2,124.19
Other Equity	3,000.65
<b>Net Book value</b>	<b>5,124.84</b>
No. of shares	42,483,885
<b>BV per Share</b>	<b>12.06</b>

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**ANNEXURE - B**

**MARKET PRICE METHOD**

Particulars	MWAP
The 120 trading days mean weighted average price of the related equity shares quoted on the recognised stock exchange (BSE) preceding the relevant date^	27.15

^ Trading Data Considered Upto 10/12/2024

# Mean Weighted Average Price

**Detail of Trading Data for period 19/06/2024 to 10/12/2024:**

Date	Open Price	High Price	Low Price	Close Price	WAP	No. of Shares	No. of Trades	Total Turnover (Rs.)
10-Dec-24	68.29	68.29	68.29	68.29	68.29	2,261	25	154,403
09-Dec-24	66.96	66.96	66.96	66.96	66.96	3,190	25	213,602
06-Dec-24	65.65	65.65	65.65	65.65	65.65	7,104	48	466,377
05-Dec-24	64.37	64.37	64.37	64.37	64.37	495	6	31,863
04-Dec-24	63.11	63.11	63.11	63.11	63.11	1,480	9	93,402
03-Dec-24	61.88	61.88	61.88	61.88	61.88	727	8	44,986
02-Dec-24	60.67	60.67	60.67	60.67	60.67	366	5	22,205
29-Nov-24	59.49	59.49	59.49	59.49	59.49	943	10	56,099
28-Nov-24	58.33	58.33	58.33	58.33	58.33	275	2	16,040
27-Nov-24	57.19	57.19	57.19	57.19	57.19	581	5	33,227
26-Nov-24	56.07	56.07	56.07	56.07	56.07	1,175	8	65,882
25-Nov-24	54.98	54.98	54.98	54.98	54.98	403	7	22,156
22-Nov-24	53.91	53.91	53.91	53.91	53.91	129	2	6,954
21-Nov-24	52.86	52.86	52.86	52.86	52.86	211	5	11,153
19-Nov-24	51.83	51.83	51.83	51.83	51.83	1,124	6	58,256
18-Nov-24	50.82	50.82	50.82	50.82	50.82	839	7	42,637
14-Nov-24	49.83	49.83	49.83	49.83	49.83	905	7	45,096
13-Nov-24	48.86	48.86	48.86	48.86	48.86	513	6	25,065
12-Nov-24	47.91	47.91	47.91	47.91	47.91	160	2	7,665
11-Nov-24	46.98	46.98	46.98	46.98	46.98	880	2	41,342
08-Nov-24	46.06	46.06	46.06	46.06	46.06	200	3	9,212
07-Nov-24	45.16	45.16	45.16	45.16	45.16	467	6	21,089
06-Nov-24	44.28	44.28	44.28	44.28	44.27	60	5	2,656
05-Nov-24	43.42	43.42	43.42	43.42	43.40	15	2	651
04-Nov-24	42.57	42.57	42.57	42.57	42.00	1	1	42

Date	Open Price	High Price	Low Price	Close Price	WAP	No. of Shares	No. of Trades	Total Turnover (Rs.)
31-Oct-24	41.74	41.74	41.74	41.74	41.73	112	3	4,674
30-Oct-24	40.93	40.93	40.93	40.93	40.92	88	1	3,601
29-Oct-24	40.13	40.13	40.13	40.13	40.13	488	4	19,583
28-Oct-24	39.35	39.35	39.35	39.35	39.35	1,633	3	64,258
25-Oct-24	38.58	38.58	38.58	38.58	38.58	680	7	26,234
24-Oct-24	37.83	37.83	37.83	37.83	37.83	780	10	29,507
23-Oct-24	37.09	37.09	37.09	37.09	37.09	350	7	12,981
22-Oct-24	36.37	36.37	36.37	36.37	36.37	363	7	13,202
21-Oct-24	35.66	35.66	35.66	35.66	35.66	823	7	29,348
18-Oct-24	34.97	34.97	34.97	34.97	34.97	2,410	6	84,277
17-Oct-24	34.29	34.29	34.29	34.29	34.29	665	5	22,802
16-Oct-24	33.62	33.62	33.62	33.62	33.62	671	4	22,559
15-Oct-24	32.97	32.97	32.97	32.97	32.97	280	2	9,231
14-Oct-24	32.33	32.33	32.33	32.33	32.33	285	2	9,214
11-Oct-24	31.70	31.70	31.70	31.70	31.70	650	3	20,605
10-Oct-24	31.08	31.08	31.08	31.08	31.08	510	4	15,850
09-Oct-24	30.48	30.48	30.48	30.48	30.48	140	2	4,267
08-Oct-24	29.89	29.89	29.89	29.89	29.89	5,029	7	150,316
04-Oct-24	29.31	29.31	29.31	29.31	29.31	333	2	9,760
03-Oct-24	28.74	28.74	28.74	28.74	28.74	230	2	6,610
01-Oct-24	28.18	28.18	28.18	28.18	28.18	300	2	8,454
30-Sep-24	27.63	27.63	27.63	27.63	27.63	950	6	26,248
27-Sep-24	27.09	27.09	27.09	27.09	27.09	580	5	15,712
26-Sep-24	26.56	26.56	26.56	26.56	26.55	166	2	4,408
25-Sep-24	26.04	26.04	26.04	26.04	26.04	510	6	13,280
24-Sep-24	25.53	25.53	25.53	25.53	25.53	340	4	8,680
23-Sep-24	25.03	25.03	25.03	25.03	25.03	270	3	6,758
20-Sep-24	24.54	24.54	24.54	24.54	24.54	830	7	20,368
19-Sep-24	24.06	24.06	24.06	24.06	24.06	1,050	5	25,263
18-Sep-24	23.59	23.59	23.59	23.59	23.59	700	4	16,513
17-Sep-24	23.13	23.13	23.13	23.13	23.13	549	5	12,698
16-Sep-24	22.68	22.68	22.68	22.68	22.68	360	4	8,164
13-Sep-24	22.24	22.24	22.24	22.24	22.24	740	4	16,457
12-Sep-24	21.81	21.81	21.81	21.81	21.81	570	5	12,431
11-Sep-24	21.39	21.39	21.39	21.39	21.39	650	7	13,903
10-Sep-24	20.98	20.98	20.98	20.98	20.97	157	4	3,293
09-Sep-24	20.57	20.57	20.57	20.57	20.57	260	3	5,348
06-Sep-24	20.17	20.17	20.17	20.17	20.17	400	5	8,068

Date	Open Price	High Price	Low Price	Close Price	WAP	No. of Shares	No. of Trades	Total Turnover (Rs.)
05-Sep-24	19.78	19.78	19.78	19.78	19.78	130	1	2,571
04-Sep-24	19.40	19.40	19.40	19.40	19.40	420	5	8,148
03-Sep-24	19.02	19.02	19.02	19.02	19.02	303	4	5,763
02-Sep-24	18.65	18.65	18.65	18.65	18.65	680	7	12,682
30-Aug-24	18.29	18.29	18.29	18.29	18.29	3,430	5	62,734
29-Aug-24	17.94	17.94	17.94	17.94	17.94	5,251	12	94,202
28-Aug-24	17.59	17.59	17.59	17.59	17.59	790	7	13,896
27-Aug-24	17.25	17.25	17.25	17.25	17.25	10,680	6	184,230
26-Aug-24	16.92	16.92	16.92	16.92	16.92	4,475	9	75,717
23-Aug-24	16.59	16.59	16.59	16.59	16.59	6,020	5	99,871
22-Aug-24	16.27	16.27	16.27	16.27	16.27	5,370	8	87,369
21-Aug-24	15.96	15.96	15.96	15.96	15.96	5,403	8	86,231
20-Aug-24	15.65	15.65	15.65	15.65	15.65	8,838	11	138,314
19-Aug-24	15.35	15.35	15.35	15.35	15.34	145	4	2,225
16-Aug-24	15.05	15.05	15.05	15.05	15.05	4,222	8	63,541
14-Aug-24	14.76	14.76	14.76	14.76	14.76	1,720	4	25,387
13-Aug-24	14.48	14.48	14.48	14.48	14.48	4,670	10	67,621
09-Aug-24	14.20	14.20	14.20	14.20	14.20	715	4	10,153
08-Aug-24	13.93	13.93	13.93	13.93	13.92	50	1	696
07-Aug-24	13.66	13.66	13.66	13.66	13.66	320	4	4,371
06-Aug-24	13.40	13.40	13.40	13.40	13.40	245	3	3,283
05-Aug-24	13.14	13.14	13.14	13.14	13.14	680	6	8,935
02-Aug-24	12.89	12.89	12.89	12.89	12.89	365	2	4,704
01-Aug-24	12.64	12.64	12.64	12.64	12.64	227	3	2,869
31-Jul-24	12.40	12.40	12.40	12.40	12.40	315	4	3,906
30-Jul-24	12.16	12.16	12.16	12.16	12.16	360	4	4,377
29-Jul-24	11.93	11.93	11.93	11.93	11.93	1,530	10	18,252
26-Jul-24	11.70	11.70	11.70	11.70	11.70	500	4	5,850
25-Jul-24	11.48	11.48	11.48	11.48	11.48	80	1	918
24-Jul-24	11.26	11.26	11.26	11.26	11.26	150	2	1,689
23-Jul-24	11.04	11.04	11.04	11.04	11.04	150	3	1,656
22-Jul-24	10.83	10.83	10.83	10.83	10.83	7,400	11	80,142
19-Jul-24	10.62	10.62	10.62	10.62	10.62	5,601	16	59,482
18-Jul-24	10.42	10.42	10.42	10.42	10.42	2,250	12	23,445
16-Jul-24	10.22	10.22	10.22	10.22	10.22	778	7	7,951
15-Jul-24	10.02	10.02	10.02	10.02	10.02	460	4	4,609
12-Jul-24	9.83	9.83	9.83	9.83	9.83	397	3	3,902
11-Jul-24	9.64	9.64	9.64	9.64	9.64	413	4	3,981

<b>Date</b>	<b>Open Price</b>	<b>High Price</b>	<b>Low Price</b>	<b>Close Price</b>	<b>WAP</b>	<b>No. of Shares</b>	<b>No. of Trades</b>	<b>Total Turnover (Rs.)</b>
09-Jul-24	9.46	9.46	9.46	9.46	9.46	452	3	4,275
08-Jul-24	9.28	9.28	9.28	9.28	9.28	1,350	3	12,528
05-Jul-24	9.10	9.10	9.10	9.10	9.10	563	5	5,123
04-Jul-24	8.93	8.93	8.93	8.93	8.93	405	6	3,616
03-Jul-24	8.76	8.76	8.76	8.76	8.76	672	4	5,886
02-Jul-24	8.59	8.59	8.59	8.59	8.59	245	3	2,104
01-Jul-24	8.43	8.43	8.43	8.43	8.43	220	3	1,854
28-Jun-24	8.27	8.27	8.27	8.27	8.27	422	7	3,489
27-Jun-24	8.11	8.11	8.11	8.11	8.11	15,560	6	126,191
26-Jun-24	7.96	7.96	7.96	7.96	7.96	1,120	12	8,915
25-Jun-24	7.81	7.81	7.81	7.81	7.81	321	7	2,507
24-Jun-24	7.66	7.66	7.66	7.66	7.66	50	1	383
21-Jun-24	7.51	7.51	7.51	7.51	7.51	381	3	2,861
20-Jun-24	7.37	7.37	7.37	7.37	7.36	50	1	368
19-Jun-24	7.23	7.23	7.23	7.23	7.23	207	5	1,496

*(Source: BSE Database)*



## ANNEXURE - C

### **DISCOUNTED CASH FLOW METHOD**

The Discounted Free Cash Flows method is one of the most rigorous approaches for valuation of a business/asset/equity. In this method, the projected free cash flows from business operations are discounted at the weighted average cost of capital and sum of such discounted free cash flows is the value of the business. For arriving at the valuation of equity shares, projected free cash flows to various stakeholders are discounted at the cost of equity to arrive at the value of business and subtracting outstanding Debts & Preference shareholding, if any, there from and adjusting surplus assets & liabilities, if any, thereto.

Using the Discounted Free Cash Flows method involves determining the following:

- Estimating future free cash flows,
- The time frame of the cash flows i.e. the explicit forecast Period,
- Appropriate Discount rate to be applied to cash flows,
- The continuing value i.e. the cumulative value of the free cash flows beyond the explicit forecast period which is also known as Terminal Value,
- Value of cash and cash equivalents and Surplus Assets

#### ➤ **Free Cash Flows to Firm (FCFF)**

FCFF are the cash flows expected to be generated by the Company that are available to providers of the Equity and Debt Capital. FCFF is determined by Profit after Taxes, to which any non-cash expenses like Depreciation and amortization are added back. The above is adjusted for (i) change in working capital requirements (ii) investments in capital expenditure and other assets. Free cash flows thus calculated will be equal to the sum of the cash flows available to Equity and Debt holders.

#### ➤ **Time Frame of Cash Flows**

A problem faced in valuing a business is its indefinite life, especially where the valuation, as in the present case, is on a going concern basis. This problem could be tackled by separating the value of the business into two-time periods viz. explicit forecast period and post explicit forecast period. In such a case, the value of business will be value of free cash flows generated during the explicit forecast period and value of free cash flows generated during the post explicit forecast period. While projected free cash flows of the explicit forecast period could be estimated on the basis of business plan, the free cash flows of the post explicit forecast period could be estimated using an appropriate method. In the present case, I have been furnished with the financial projections for October 01, 2024 to March 31, 2029, I have considered the same for the purpose of valuation.

#### ➤ **Appropriate Discounting Rate i.e. Weighted Average Cost of Capital**

The Weighted Average Cost of Capital (WACC) is the average rate that a company is expected to pay to all its equity and debt holders, to finance its assets. The WACC is the weighted average return that a company must earn on an existing asset base to satisfy its owners and debt holders. Broadly speaking, a company's assets are financed by either debt or equity. WACC is the weighted average return for cost for equity shareholders as well as debt holders.

### Discounting Factor

The discount factor considered for arriving at the present value of the FCFF is the WACC, which comprises of cost of debt and equity

$$\text{WACC} = \left( K_d * (1 - t) * \left[ \frac{D}{D + E} \right] \right) + \left( K_e * \left[ \frac{E}{D + E} \right] \right)$$

Where 'D' and 'E' represent the debt and equity portion respectively in the capital structure.

The WACC using the above parameters has been estimated at 14.80% after giving appropriate allowances for company specific risk including risk associated with achieving the financial projections, etc.

Given that the cash flow would be generated over the period, I have applied the mid-period discounting.

- **Cost of Debt (Kd)**

Cost of debt refers to the effective rate a company pays on its current debt. The cost of debt is used after including the tax impact. As informed by the management, the average effective interest rate for the debt will be 9.00% p.a.

I have considered a tax rate for debt at 25.17% to calculate the tax benefit on interest expense. Accordingly, I have arrived at 6.73% as post tax cost of debt.

- **Cost of Equity (Ke)**

The cost of equity has been determined using the Capital Assets Pricing Model. For this purpose, the formula used is as under:

$$\text{CAPM (Ke)} = R_f + \beta (R_m - R_f) + \alpha$$

Where,

CAPM (Ke) = Discount rate derived from Capital Assets Pricing Model

R<sub>f</sub> = Risk free rate of return

β = Beta factor as a measure of the systematic risk

R<sub>m</sub> = Representative Market Return

(R<sub>m</sub> - R<sub>f</sub>) = Equity Market premium (ERP)

α = Company Specific Risk Premium

Capital–Asset Pricing Model (CAPM) describes the relationship between systematic risk and expected return for assets, particularly stocks. CAPM is widely used throughout finance for pricing risky securities and generating expected returns for assets given the risk of those assets and cost of capital.

- **Risk Free Rate**

The risk-free rate is generally based on the returns available from long-term Government Bonds and securities. These returns are used since they represent a very low default risk, are liquid (freely tradable) and include the expected long-term inflation premium. Based on current yield of 10 Year GOI Security bond, risk free rate has been considered as 6.75% in the present case.

- **Equity Risk Premium**

The Equity Risk Premium (ERP) is the additional amount of return over the risk-free rate that is required to compensate the investor for the additional risk of investing in the equity. It is typically measured by the amount by which historical returns in the equity security markets, over a long period of time, have exceeded the returns from risk-free investments. Such historical return from investment in the equity markets – which is the sum of return by way of capital appreciation and return by way of dividend yield – is the market return. I have considered equity risk premium of 8.49% based on the Market return of S&P BSE 500 since inception. (*Market Return – 15.24%*)

- **Beta ( $\beta$ )**

Systematic risk is measured in the CAPM by a factor known as Beta. Beta is a measure of volatility or systematic risk, of a security or a portfolio in comparison to the market as a whole. The beta of the asset has to be estimated relative to the market portfolio and by selecting the comparable companies closely associated with the subject company. I have considered a Beta of 1.00 for the purpose of calculation of the cost of equity. (Neutral Beta)

- **Company Specific Risk Premium ( $\alpha$ )**

Company Specific Risk Premium (CSRP) is the risk unique to the company. It includes Additional Business Risk, Economic Risk, Projection Risk, Technology Risk and Legal Risk. Hence to compensate the investor for this aspect, I have considered 7.50% premium towards CSRP.

**STATEMENT SHOWING WEIGHTED AVERAGE COST OF CAPITAL**

Particulars	Value
Risk-Free Rate of Return	6.75%
Beta Coefficient	1.00
Market Return	15.24%
Market Equity Risk Premium	8.49%
Business Risk	7.50%
<b>Cost of Equity Financing</b>	<b>22.74%</b>
Average Cost of Debt	9.00%
Tax Rate	25.17%
<b>Cost of Debt (Net-off Tax)</b>	<b>6.73%</b>
<b>Weights (Management Representation)</b>	
Debt	50.00%
Equity	50.00%
<b>Weighted Average Cost of Capital (WACC)</b>	<b>14.80%</b>

➤ **Terminal Value**

The terminal value of an on-going business could best be determined as present value of estimated future free cash flows in order to obviate the need to forecast the Company's cash flows in detail for an indefinite period. On this basis, the calculation of the terminal value may be made by capitalizing the free cash flows of the terminal year with Weighted Average Cost of Capital, adjusted for the future expected growth ("g"). As per our estimate, 5.00% should be assumed to be a long-term rate at which company should grow and accordingly the same is considered as perpetual growth rate for the purpose of valuation of Kothari Industrial. FCFE at the end of

explicit forecast period which is FY 2028-29 is considered for calculation of terminal value. Other aspects in this regard have been described above under the heading of explicit forecast period.

**STATEMENT SHOWING CALCULATION OF TERMINAL VALUE**

Particulars	INR Lakhs
Cash flows for the terminal year	887.50
WACC	14.80%
Growth rate	5.00%
<b>Terminal value</b>	<b>9,056.13</b>
Present value factor	0.58
<b>Present value of terminal period cash flows</b>	<b>5,214.05</b>

➤ **Other Considerations**

To arrive at the total value attributable to the equity shareholders of the business, value arrived through DCF method for the Company is adjusted by

1. Cash and cash equivalents amounting to INR 146.72 Lakhs as on September 30, 2024;
2. Debt and Debt-like items amounting to INR 1110.68 Lakhs as on September 30,, 2024;

The Management has represented that there are no unascertained or contingent liabilities to be adjusted for the purpose of arriving at the fair market value of equity shares.

The total adjusted value for equity shareholders is then divided by the diluted number of equity shares to arrive at the value per equity share.

**STATEMENT SHOWING FREE CASH FLOW TO FIRM**

*(Amount in INR Lakhs)*

Particulars	01.10.2024- 31.03.2025	2025-26	2026-27	2027-28	2028-29	Terminal Year
<b>Revenue from Operations</b>	<b>3,515.61</b>	<b>7,874.97</b>	<b>8,741.21</b>	<b>9,659.04</b>	<b>10,624.94</b>	<b>11,156.19</b>
<i>Annualised Y-o-Y growth %</i>		<i>12.0%</i>	<i>11.0%</i>	<i>10.5%</i>	<i>10.0%</i>	<i>5.0%</i>
<b>EBIT</b>	<b>36.71</b>	<b>703.26</b>	<b>886.05</b>	<b>1,088.42</b>	<b>1,310.40</b>	<b>1,375.92</b>
<i>% of Revenue</i>	<i>1.0%</i>	<i>8.9%</i>	<i>10.1%</i>	<i>11.3%</i>	<i>12.3%</i>	<i>12.3%</i>
Less: Tax Expense	9.24	177.00	223.00	273.93	329.80	346.32
<b>Profit After Tax</b>	<b>27.47</b>	<b>526.26</b>	<b>663.05</b>	<b>814.48</b>	<b>980.60</b>	<b>1,029.60</b>
Add: Depreciation	90.10	175.70	166.92	158.57	150.64	158.18
<b>Operating Cash Profit After Tax</b>	<b>117.57</b>	<b>701.96</b>	<b>829.97</b>	<b>973.06</b>	<b>1,131.24</b>	<b>1,187.78</b>
Less: Incremental Capital Expenditure	-	-	-	-	-	158.18
Less: Changes in Working Capital	98.80	33.89	87.51	90.21	92.34	142.10
<b>Free Cash Flow to Firm</b>	<b>18.77</b>	<b>668.08</b>	<b>742.45</b>	<b>882.85</b>	<b>1,038.90</b>	<b>887.50</b>
Mid-Period Discounting factor	0.97	0.87	0.76	0.66	0.58	
<b>Net Present Value</b>	<b>18.14</b>	<b>581.95</b>	<b>563.36</b>	<b>583.53</b>	<b>598.15</b>	

**STATEMENT SHOWING VALUE PER SHARE**

<b>Particulars</b>	<b>INR Lakhs</b>
PV of Explicit Cash Flows	2,345.12
PV of Terminal Value	5,214.05
<b>Enterprise Value as on Sept 30, 2024</b>	<b>7,559.17</b>
Stub period adjustment	1.03
<b>Enterprise Value as on Dec 10, 2024</b>	<b>7,761.81</b>
Add: Cash & Bank Balance	146.72
Less: Debt and Debt-like items	1,110.68
<b>Equity Value as on Dec 10, 2024</b>	<b>6,797.85</b>
No. of Shares (Face Value - INR 10 each)	42,483,885
<b>Value Per Share (INR)</b>	<b>16.00</b>

## ANNEXURE - D

**PROJECTED BALANCE SHEET**

(Amount in INR Lacs)

Particulars	31/03/2025	31/03/2026	31/03/2027	31/03/2028	31/03/2029
<b><u>EQUITY AND LIABILITIES</u></b>					
<b>Shareholder's Fund</b>					
Share Capital	2,124.19	2,124.19	2,124.19	2,124.19	2,124.19
Reserve & Surplus	3,016.42	3,472.93	4,069.60	4,821.06	5,742.01
<b>Non-Current Liabilities</b>					
Long Term Provisions	33.26	33.26	33.26	33.26	33.26
<b>Current Liabilities</b>					
Short Term Borrowings	1,060.68	1,010.68	960.68	910.68	860.68
Trade Payables	34.23	36.80	39.56	42.53	45.72
Other Financial Liabilities	214.86	206.26	198.01	190.09	182.49
Other Current Liabilities	229.09	229.09	229.09	229.09	229.09
Short Term Provision	99.75	202.64	255.14	312.90	375.88
<b>Total</b>	<b>6,812.48</b>	<b>7,315.85</b>	<b>7,909.53</b>	<b>8,663.80</b>	<b>9,593.32</b>
<b><u>ASSETS</u></b>					
<b>Non-Current Assets</b>					
Tangible Assets	2,998.00	2,848.10	2,705.69	2,570.41	2,441.89
Intangible Assets	516.08	490.27	465.76	442.47	420.35
Deferred Tax Asset (Net)	45.39	45.39	45.39	45.39	45.39
Long Term Loans and Advances	1,787.28	1,787.28	1,787.28	1,787.28	1,787.28
<b>Current Assets</b>					
Inventories	866.86	970.89	1,077.68	1,190.84	1,309.92
Trade Receivables	269.69	302.05	335.28	370.48	407.53
Cash and Cash Equivalents	103.79	652.12	1,278.18	2,048.02	2,977.27
Other Financial Assets	225.39	219.76	214.26	208.91	203.68
<b>Total</b>	<b>6,812.48</b>	<b>7,315.85</b>	<b>7,909.53</b>	<b>8,663.80</b>	<b>9,593.32</b>

(Source: Management)

**PROJECTED STATEMENT OF PROFIT AND LOSS***(Amount in INR Lacs)*

<b>Particulars</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
<b>Income</b>					
Revenue From Operations	7,031.22	7,874.97	8,741.21	9,659.04	10,624.94
Other Income	86.26	90.57	95.10	99.86	104.85
<b>Total</b>	<b>7,117.48</b>	<b>7,965.54</b>	<b>8,836.31</b>	<b>9,758.90</b>	<b>10,729.79</b>
<b>Expenses</b>					
Cost of material Consumed	5,418.32	6,009.46	6,604.94	7,225.63	7,868.08
Employees Benefits Expenses	446.24	479.71	515.69	554.36	595.94
Finance Cost	6.64	93.21	88.71	84.21	79.71
Depreciation And Amortisation Expenses	177.00	175.70	166.92	158.57	150.64
Other Expenses	999.30	597.42	662.72	731.92	804.73
<b>Total</b>	<b>7,047.50</b>	<b>7,355.49</b>	<b>8,038.98</b>	<b>8,754.69</b>	<b>9,499.11</b>
<b>Profit Before exceptional and extraordinary items and Tax</b>	<b>69.98</b>	<b>610.04</b>	<b>797.34</b>	<b>1,004.21</b>	<b>1,230.69</b>
Exceptional items	-	-	-	-	-
<b>Profit Before Tax</b>	<b>69.98</b>	<b>610.04</b>	<b>797.34</b>	<b>1,004.21</b>	<b>1,230.69</b>
<b>Tax Expenses</b>					
Current Tax	17.61	153.54	200.67	252.74	309.74
Deferred Tax	-	-	-	-	-
<b>Profit/(Loss) for the period</b>	<b>52.36</b>	<b>456.51</b>	<b>596.66</b>	<b>751.47</b>	<b>920.95</b>

**(Source: Management)**